

India

**ADD** (no change)

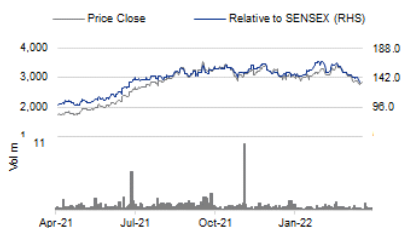
Consensus ratings\*: Buy 30 Hold 3 Sell 0

Current price:	Rs2,843
Target price:	Rs3,925
Previous target:	Rs4,073
Up/downside:	38.1%
InCred Research / Consensus:	4.5%
Reuters:	MBFL.NS
Bloomberg:	MPHL IN
Market cap:	US\$6,987m Rs534,034m
Average daily turnover:	US\$27.2m Rs2075.4m
Current shares o/s:	189.8m
Free float:	44.0%

\*Source: Bloomberg

**Key changes in this note**

- Raise FY22-24F revenue CAGR by 1.7%.
- Raise FY22-24F EBIT CAGR by 1.8%.
- Raise FY22-24F PAT CAGR by 1.1%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(15.8)	(6.5)	62.1
Relative (%)	(12.6)	(2.4)	38.6

Major shareholders	% held
Mirae Asset fund	2.0
HDFC LIFE INSURANCE	1.4
Government Pension fund Global	1.3

**Analyst(s)**

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# Mphasis

## Growth composition could have been better

- Deal wins are encouraging and support our revenue growth assumption.
- EBIT margin guidance could have been better.
- Cut in valuation multiple lowers our target price; retain Add rating.

### In-line 4QFY22 performance

Mphasis Ltd's (MPHL IN) 4QFY22 performance was in line, but growth composition could have been better. DXC revenue stabilized at US\$22.8m, up 0.8% QoQ, but direct business grew a modest 4.4% QoQ vs. average 9.4% QoQ in 9MFY22, dragged by digital risk business. Deal wins and client mining continue to be encouraging which, coupled with better deal wins and likely lower drag from DXC business (down 49% in FY22 in constant currency or CC terms), could help MPHL achieve industry-leading growth in FY23F while growth leverage, employee pyramid rationalization and benefits from better price realization mix could aid modest improvement in EBIT margin from 15.3% in FY22.

### Deal wins encouraging and support our revenue growth assumption

Direct business new deal wins are up 41.6% YoY at US\$347m in 4QFY22 and 28.5% YoY at US\$1.4bn in FY22. The company won five large deals (>US\$20m TCv) in 4QFY22 (and 12 in FY22) while commentary indicates that average deal size is improving and is up 2x over the last two years. Client mining was better than mid-sized peers with 2/4/6 clients in >US\$150m+ / >US\$100m+ / >US\$75m+ bucket, respectively. Momentum in top 10 clients led by market share gains and higher spending drives our FY22-24F overall/direct business US\$ revenue CAGR higher to 18.6%/19.1% vs. 16.9%/17.5%, respectively, earlier.

### EBIT margin guidance could have been better

Reported EBIT margin at 15.2% was up 10bp QoQ but down 90bp YoY, while EBIT margin adjusted for M&A charge was unchanged QoQ but down 20bp YoY at 15.9%. FY23F EBIT margin guidance at 15.25-17% could have been better given the tailwinds from utilization and factors mentioned above, but management commentary indicates acquisition integration, investments, and higher wage cost will continue to weigh. That said, we retain our FY23F-24F average EBIT margin assumption of 15.7%.

### Cut in valuation multiple lowers our TP; retain Add rating

We retain Add rating on MPHL, but a cut in valuation multiple lowers our target price (TP) to Rs3,925 vs. Rs4,073 earlier. We modestly raise FY22-24F US\$ revenue CAGR to 18.6% (vs. 16.9% earlier) and our PAT (Rs) CAGR to 21.9% (vs 20.8%) given our conservatism earlier primarily driven by the uncertainty around DXC portfolio. Like peers, we trim our PE/G multiple to 1.6x (vs 1.79x earlier) to factor in uncertain macro, which in turn drives the implied P/E multiple (35x vs. 38x earlier) and TP lower. Strong cash conversion (OCF/EBITDA was 81% in FY22), net cash (Rs98/share) and high payout ratio (~60%+) provide cushion to our view. Moderation in deal velocity and higher-than-anticipated drop in digital risk and DXC businesses are key downside risks.

### Financial Summary

	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue (Rsm)	88,435	97,223	119,614	147,090	174,111
Operating EBITDA (Rsm)	16,504	18,028	21,175	26,329	31,427
Net Profit (Rsm)	11,849	12,167	14,456	17,756	21,261
Core EPS (Rs)	62.7	65.0	76.4	93.5	112.0
Core EPS Growth	12.0%	3.7%	17.7%	22.4%	19.7%
FD Core P/E (x)	45.38	43.77	37.19	30.40	25.38
DPS (Rs)	35.0	65.0	46.0	56.1	67.2
Dividend Yield	1.48%	2.27%	1.60%	1.97%	2.36%
EV/EBITDA (x)	32.01	28.68	24.79	19.76	16.28
P/FCFE (x)	45.00	40.09	36.36	32.70	26.83
Net Gearing	(16.3%)	(23.7%)	(18.3%)	(25.5%)	(32.9%)
P/BV (x)	9.08	8.21	7.77	7.05	6.35
ROE	21.4%	19.7%	21.5%	24.3%	26.3%
% Change In Core EPS Estimates			2.47%	3.78%	3.26%
InCred Research/Consensus EPS (x)				0.98	0.98

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 1: Quarterly performance**

YE Mar (Rs m)	4QFY22	4QFY21	YoY (%)	3QFY22	QoQ (%)	4QFY22F	Var. (%)
Revenue (USD m)	431.0	342.2	25.9	414.0	4.1	434.3	(0.8)
Revenue (Rs m)	32,777	25,243	29.8	31,237	4.9	32,656	0.4
USD-INR realization	76.0	73.8	3.1	75.5	0.8	75.2	1.1
EBITDA	5,772	4,671	23.6	5,532	4.3	5,780	(0.1)
EBITDA margin (%)	17.6	18.5	(89 bp)	17.7	(10 bp)	17.7	(9 bp)
EBIT	4,973	4,054	22.7	4,706	5.7	4,915	1.2
EBIT margin (%)	15.2	16.1	(89 bp)	15.1	11 bp	15.1	12 bp
Depreciation	799	617	29.4	826	(3.3)	865	(7.7)
Net other income	183	182	0.6	90	102.9	192	(4.6)
PBT	5,156	4,236	21.7	4,797	7.5	5,107	1.0
Provision for tax	1,235	1,067	15.8	1,219	1.3	1,287	(4.0)
% Tax rate	24.0	25.2	(123 bp)	25.4	(145 bp)	25.2	(124 bp)
Net Profit	3,921	3,169	23.7	3,578	9.6	3,820	2.6
EPS (Rs)	20.6	16.7	23.2	18.9	9.3	20.1	2.4

SOURCES: INCRED RESEARCH, COMPANY REPORTS

### Key conference call take-aways

- Outlook: The company expects 15.25-17% EBIT margin for FY23F with growth leverage, employee pyramid rationalization and benefits from higher price realization being tailwinds while sustained hiring, higher wage inflation and business investments would be key headwinds.
- Macro issues are not likely to alter long-term structural spending on technology. However, some clients may re-prioritize spending in the near term.
- Average ACV continues to trend upwards. Proactive deal pursuits driving higher wins while the deal pipeline is healthy despite wins in the previous few quarters.
- Commentary indicates market share gain in key BFS clients led growth in FY22 while application services-led growth will power BFS performance in FY23F. Diversification of services in mortgage business over last few years will help offset the impact from interest rate cyclicality.
- MPHL is witnessing healthy client (60-70%) migration across buckets. MPHL has two clients with US\$150m+ in revenue while average revenue for top 5 clients is US\$140m+.
- Blink acquisition contribution US\$11m to 4QFY22 revenue and US\$23m in FY22.
- FY22 witnessed direct business growing 30%+ CC on an organic basis while overall revenue growth was 34.4%. Europe direct business grew 20%+ for the second year in a row.
- Pyramid rationalization will be a key focus area in FY23F. Robust fresher addition (5,500+) done in 2HFY22.

**Figure 2: Operating metric trend**

Operating trends	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22
Gross Revenue (US\$ m)	319.9	305.4	327.4	333.9	342.2	362.9	385.2	414.0	431.0
Growth YoY (%)	9.7	2.8	7.4	5.0	7.0	18.8	17.7	24.0	25.9
Growth QoQ (%)	0.6	-4.5	7.2	2.0	2.5	6.0	6.1	7.5	4.1
CC Growth YoY (%)	11.1	3.8	6.7	4.3	4.9	16.3	17.2	24.2	26.8
CC Growth QoQ (%)	1.5	-4.6	6.0	1.6	2.0	5.9	6.6	7.8	4.3
Revenue (Rs. m)	23,462	22,882	24,354	24,744	25,243	26,908	28,692	31,237	32,777
Growth YoY (%)	15.9	10.9	12.9	8.7	7.6	17.6	17.8	26.2	29.8
Growth QoQ (%)	3.0	-2.5	6.4	1.6	2.0	6.6	6.6	8.9	4.9
EBIT Margin (%)	16.3	15.7	16.1	16.4	16.1	15.9	15.0	15.1	15.2
USD-INR realized rate	73.4	75.4	74.0	73.7	73.2	73.7	73.9	74.8	75.3
Headcount	26,398	26,143	27,148	28,116	29,473	31,454	32,295	34,915	36,534
Onsite utilization - trainees (%)	97	93	94	90	93	93	91	89	89
Offshore utilization -trainees (%)	85	81	80	80	84	81	80	73	68
Offshore utilization ex-trainees (%)	85	82	80	80	85	83	82	79	77
Vertical (%)	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22
BFS	45.7	48.8	53.4	53.3	50.1	51.2	54.6	55.3	53.6
Insurance	11.4	10.0	9.5	9.7	10.1	9.1	8.8	8.8	9.5
TMT	15.0	14.1	11.8	12.9	14.5	14.2	12.5	13.2	13.3
Logistics & transportation	14.6	14.0	12.3	12.6	13.4	14.0	13.1	12.7	12.8
Others	13.2	13.1	13.0	11.5	11.9	11.4	11.0	10.1	10.7
Vertical (USD m)	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22
BFS	146.0	149.0	174.9	178.0	171.6	185.9	210.2	228.9	231.0
Insurance	36.5	30.4	31.2	32.4	34.5	33.2	33.9	36.4	41.1
TMT	48.1	43.2	38.6	43.0	49.8	51.6	48.2	54.6	57.1
Logistics & transportation	46.8	42.9	40.2	42.2	45.9	50.8	50.4	52.5	55.2
Others	42.4	39.9	42.4	38.3	40.6	41.4	42.5	41.6	46.3
Vertical YoY (%)	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22
BFS	12.9	12.3	25.3	23.1	17.5	24.8	20.2	28.6	34.7
Insurance	4.5	-12.3	-9.1	-9.4	-5.6	9.1	8.7	12.5	19.3
TMT	-4.4	-12.2	-21.3	-14.0	3.4	19.4	24.8	27.0	14.7
Logistics & transportation	34.6	11.9	-1.5	-4.6	-2.0	18.4	25.3	24.3	20.4
Others	0.1	-5.2	3.9	-11.4	-4.3	3.7	0.1	8.7	14.1
Vertical QoQ (%)	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22
BFS	1.0	2.1	17.4	1.8	-3.6	8.4	13.1	8.9	0.9
Insurance	2.1	-16.7	2.5	3.9	6.4	-3.7	2.1	7.6	12.8
TMT	-3.7	-10.2	-10.6	11.2	15.9	3.6	-6.5	13.1	4.6
Logistics & transportation	5.8	-8.4	-6.1	4.9	8.8	10.7	-0.7	4.1	5.3
Others	-2.1	-5.7	6.2	-9.7	5.8	2.1	2.5	-1.9	11.1
Incremental revenue (USD m)	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22
BFS	1.4	3.0	25.9	3.1	-6.5	14.4	24.3	18.7	2.1
Insurance	0.7	-6.1	0.8	1.2	2.1	-1.3	0.7	2.6	4.7
TMT	-1.8	-4.9	-4.6	4.3	6.8	1.8	-3.3	6.3	2.5
Logistics & transportation	2.6	-3.9	-2.6	2.0	3.7	4.9	-0.4	2.0	2.8
Others	-0.9	-2.4	2.5	-4.1	2.2	0.9	1.0	-0.8	4.6
Geography (%)	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22
Americas	76.3	76.8	78.1	77.9	75.2	76.3	78.0	80.3	81.4
EMEA	12.3	11.9	10.8	12.0	13.4	12.1	12.1	11.3	10.7
India	5.0	4.1	4.5	4.7	5.0	4.7	5.4	5.1	4.9
ROW	6.4	7.1	6.5	5.5	6.4	6.9	4.5	3.3	3.0
Geography (USD m)	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22
Americas	244.0	234.6	255.7	260.0	257.5	276.9	300.6	332.6	351.0
EMEA	39.4	36.4	35.4	39.9	45.8	44.0	46.5	46.8	46.0
India	16.0	12.6	14.9	15.6	17.0	17.0	20.7	20.9	21.0
ROW	20.5	21.8	21.4	18.5	21.8	25.0	17.4	13.6	12.9
Geography YoY (%)	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22
Americas	7.8	0.2	5.9	5.4	5.5	18.0	17.6	27.9	36.3
EMEA	18.2	14.9	14.7	8.8	16.2	20.7	31.1	17.3	0.4
India	6.4	-15.3	-7.4	-3.4	6.4	35.6	39.1	34.7	23.4
ROW	20.4	33.2	31.0	-1.5	6.7	14.5	-18.5	-26.1	-40.9
Geography QoQ (%)	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22
Americas	-1.0	-3.9	9.0	1.7	-1.0	7.5	8.6	10.6	5.5
EMEA	7.6	-7.6	-2.7	12.6	14.9	-4.0	5.6	0.7	-1.7
India	-0.7	-21.4	18.3	4.6	9.5	0.1	21.4	1.3	0.3
ROW	9.2	6.5	-1.8	-13.7	18.4	14.3	-30.2	-21.7	-5.4
Incremental revenue (USD m)	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22
Americas	-2.6	-9.4	21.1	4.3	-2.5	19.4	23.7	32.0	18.5
EMEA	2.8	-3.0	-1.0	4.5	5.9	-1.8	2.5	0.3	-0.8
India	-0.1	-3.4	2.3	0.7	1.5	0.0	3.6	0.3	0.1
ROW	1.7	1.3	-0.4	-2.9	3.4	3.1	-7.5	-3.8	-0.7
Segment (%)	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22
Direct International	75.4	78.5	81.8	84.7	85.8	89.0	91.8	92.8	93.1
HP/DXC Business	22.5	20.1	16.2	13.1	12.0	9.2	6.5	5.4	5.2
Others	2.1	1.5	2.0	2.2	2.3	1.8	1.7	1.8	1.7
Segment (USD m)	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22
Direct International	241.3	239.6	267.8	282.7	293.5	322.9	353.6	384.3	401.4
HP/DXC Business	72.0	61.3	53.1	43.9	41.0	33.5	24.9	22.3	22.4
Others	6.6	4.5	6.5	7.3	7.7	6.5	6.7	7.5	7.1
Segment YoY (%)	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22
Direct International	13.6	10.2	19.1	19.7	21.6	34.8	32.1	35.9	36.8
HP/DXC Business	-0.3	-16.0	-27.6	-41.1	-43.1	-45.4	-53.2	-49.3	-45.2
Others	-6.7	-31.0	0.6	-2.6	17.5	44.2	3.1	2.2	-7.9
Segment QoQ (%)	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22

Direct International	2.2	-0.7	11.7	5.6	3.8	10.0	9.5	8.7	4.5
HP/DXC Business	-3.3	-14.9	-13.3	-17.5	-6.6	-18.3	-25.7	-10.6	0.9
Others	-12.2	-31.7	44.1	12.6	5.9	-16.1	3.1	11.6	-4.6
<b>Incremental revenue (USD m)</b>	<b>4QFY20</b>	<b>1QFY21</b>	<b>2QFY21</b>	<b>3QFY21</b>	<b>4QFY21</b>	<b>1QFY22</b>	<b>2QFY22</b>	<b>3QFY22</b>	<b>4QFY22</b>
Direct International	5.2	-1.7	28.1	15.0	10.8	29.4	30.7	30.7	17.1
HP/DXC Business	-2.4	-10.8	-8.1	-9.3	-2.9	-7.5	-8.6	-2.6	0.2
Others	-0.9	-2.1	2.0	0.8	0.4	-1.2	0.2	0.8	-0.3
<b>Deal wins (USD m)</b>	<b>4QFY20</b>	<b>1QFY21</b>	<b>2QFY21</b>	<b>3QFY21</b>	<b>4QFY21</b>	<b>1QFY22</b>	<b>2QFY22</b>	<b>3QFY22</b>	<b>4QFY22</b>
TCV	201	259	360	247	245	505	241	335	347
QoQ	6	29	39	-31	-0.8	106.1	-52.3	39.0	3.6
YoY	53	72	107	31	21.9	95.0	-33.1	35.6	41.6
TTM TCV	715	823	1009	1067	1111	1357	1238	1326	1428
<b>Ex- DXC Clients (%)</b>	<b>4QFY20</b>	<b>1QFY21</b>	<b>2QFY21</b>	<b>3QFY21</b>	<b>4QFY21</b>	<b>1QFY22</b>	<b>2QFY22</b>	<b>3QFY22</b>	<b>4QFY22</b>
Top	13.0	12.0	12.0	11.0	10.0	11.0	11.0	11.0	11.0
Top 2-5	25.0	27.0	27.0	29.0	31.0	31.0	31.0	32.0	33.0
Top 6-10	9.0	9.0	11.0	12.0	12.0	13.0	15.0	15.0	15.0
Non top 10	53.0	52.0	50.0	48.0	47.0	45.0	43.0	42.0	41.0
<b>Ex-DXC Clients (USD m)</b>	<b>4QFY20</b>	<b>1QFY21</b>	<b>2QFY21</b>	<b>3QFY21</b>	<b>4QFY21</b>	<b>1QFY22</b>	<b>2QFY22</b>	<b>3QFY22</b>	<b>4QFY22</b>
Top	31.4	28.8	32.1	31.1	29.4	35.5	38.9	42.3	44.1
Top 2-5	60.3	64.7	72.3	82.0	91.0	100.1	109.6	123.0	132.3
Top 6-10	21.7	21.6	29.5	33.9	35.2	42.0	53.0	57.6	60.2
Non top 10	127.8	124.6	133.9	135.7	138.0	145.3	152.0	161.4	164.4
<b>Ex DXC Clients YoY (%)</b>	<b>4QFY20</b>	<b>1QFY21</b>	<b>2QFY21</b>	<b>3QFY21</b>	<b>4QFY21</b>	<b>1QFY22</b>	<b>2QFY22</b>	<b>3QFY22</b>	<b>4QFY22</b>
Top	5	-6	2	1	-6	24	21	35.9	50.3
Top 2-5	18	24	34	39	51	55	52	50.0	45.4
Top 6-10	14	10	46	60	62	95	80	69.9	70.8
Non top 10	14	8	12	9	8	17	14	18.9	19.2
<b>Ex- DXC Clients QoQ (%)</b>	<b>4QFY20</b>	<b>1QFY21</b>	<b>2QFY21</b>	<b>3QFY21</b>	<b>4QFY21</b>	<b>1QFY22</b>	<b>2QFY22</b>	<b>3QFY22</b>	<b>4QFY22</b>
Top	2.2	-8.3	11.7	-3.2	-5.6	21.0	9.5	8.7	4.4
Top 2-5	2.2	7.3	11.7	13.4	11.0	10.0	9.5	12.2	7.6
Top 6-10	2.2	-0.7	36.6	15.2	3.8	19.2	26.3	8.7	4.4
Non top 10	2.2	-2.5	7.4	1.4	1.7	5.3	4.6	6.2	1.9
<b>Incremental revenue (USD m)</b>	<b>4QFY20</b>	<b>1QFY21</b>	<b>2QFY21</b>	<b>3QFY21</b>	<b>4QFY21</b>	<b>1QFY22</b>	<b>2QFY22</b>	<b>3QFY22</b>	<b>4QFY22</b>
Top	0.7	-2.6	3.4	-1.0	-1.7	6.2	3.4	3.4	1.8
Top 2-5	2.0	1.8	11.0	8.7	7.2	15.3	12.9	16.7	11.2
Top 6-10	2.5	1.7	18.8	13.1	8.5	22.0	23.9	21.3	13.7
Non top 10	1.3	4.4	7.6	9.7	9.0	9.1	9.5	13.4	9.4
<b>Client metrics</b>	<b>4QFY20</b>	<b>1QFY21</b>	<b>2QFY21</b>	<b>3QFY21</b>	<b>4QFY21</b>	<b>1QFY22</b>	<b>2QFY22</b>	<b>3QFY22</b>	<b>4QFY22</b>
USD 100 m+	2	2	2	2	2	4	4	4	4
USD 75 m+	3	4	4	4	5	5	5	6	6
USD 50 m+	5	4	4	5	5	7	7	7	7
USD 20 m+	7	7	8	9	9	9	9	9	10
USD 10 m+	15	16	17	16	18	18	19	21	22
USD 5 m+	31	32	31	35	37	39	41	42	42
USD 1 m+	76	79	80	81	84	84	88	97	104
<b>Per employee analysis</b>	<b>4QFY20</b>	<b>1QFY21</b>	<b>2QFY21</b>	<b>3QFY21</b>	<b>4QFY21</b>	<b>1QFY22</b>	<b>2QFY22</b>	<b>3QFY22</b>	<b>4QFY22</b>
Revenues (USD m) - TTM	1242	1249	1271	1288	1313	1375	1434	1516	1607
Employees (Average TTM)	26,538	26,699	26,745	26,951	27,720	29,048	30,335	32,034	33,800
Revenue per employee (TTM)	46,820	46,766	47,529	47,785	47,369	47,328	47,278	47,328	47,532

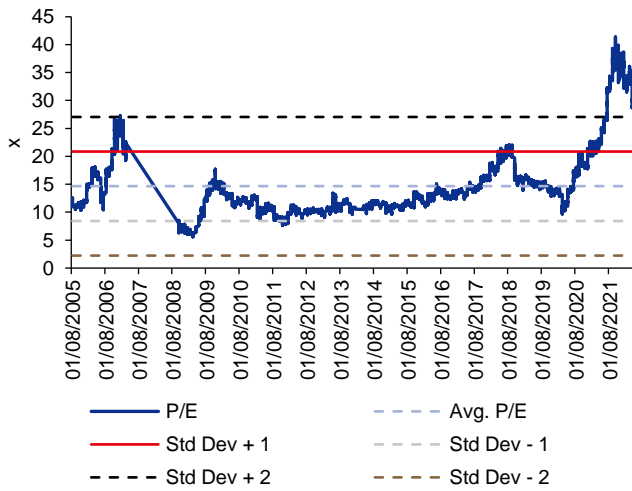
SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 3: Change in our earnings estimates**

Y/E, Mar (Rs m)	FY23F			FY24F		
	New	Old	% change	New	Old	% change
<b>US\$ revenue</b>	1,935	1,853	4.4	2,261	2,159	4.7
<b>Revenue</b>	1,47,090	1,38,987	5.8	1,74,111	1,64,074	6.1
<b>EBIT</b>	22,872	21,682	5.5	27,422	25,924	5.8
<b>EBIT Margin (%)</b>	15.6	15.6	(5) bp	15.8	15.8	(5) bp
<b>Net PAT</b>	17,756	17,117	3.7	21,261	20,600	3.2
<b>EPS (Rs)</b>	93.5	90.1	3.7	112.0	108.5	3.2

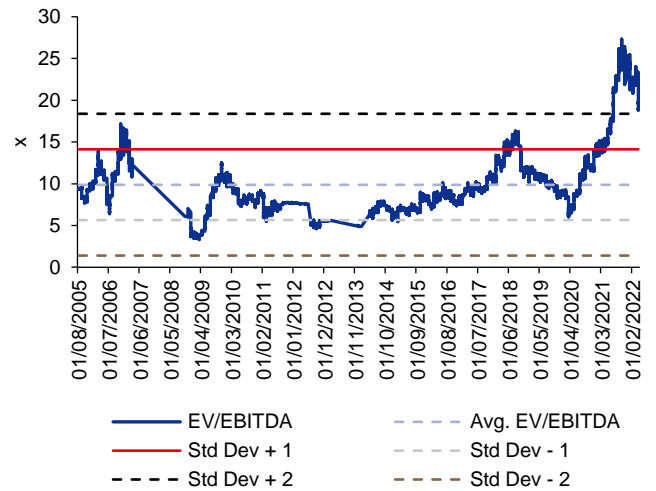
SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 4: One-year forward P/E of 29x...**

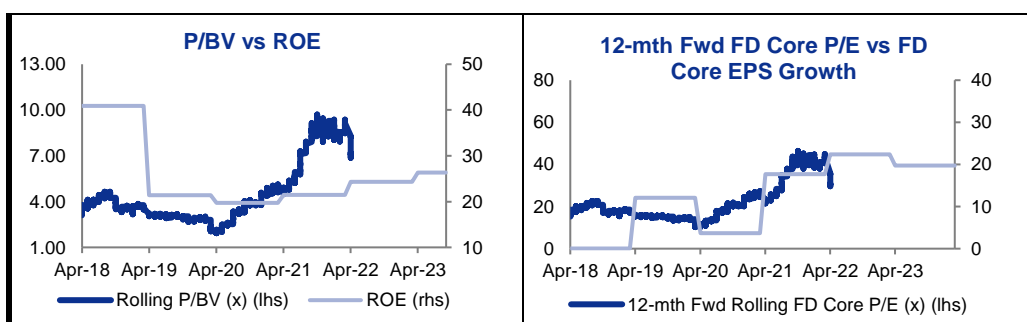


SOURCES: BLOOMBERG, INCRED RESEARCH

**Figure 5: ... and EV/EBITDA x of 19x**



SOURCES: BLOOMBERG, INCRED RESEARCH

**BY THE NUMBERS**

**Profit & Loss**

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>Total Net Revenues</b>	<b>88,435</b>	<b>97,223</b>	<b>119,614</b>	<b>147,090</b>	<b>174,111</b>
<b>Gross Profit</b>	<b>25,484</b>	<b>29,500</b>	<b>34,950</b>	<b>42,803</b>	<b>50,666</b>
<b>Operating EBITDA</b>	<b>16,504</b>	<b>18,028</b>	<b>21,175</b>	<b>26,329</b>	<b>31,427</b>
Depreciation And Amortisation	(2,316)	(2,418)	(2,908)	(3,457)	(4,005)
<b>Operating EBIT</b>	<b>14,188</b>	<b>15,610</b>	<b>18,268</b>	<b>22,872</b>	<b>27,422</b>
Financial Income/(Expense)	701	493	1,008	961	1,116
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	266	202			
<b>Profit Before Tax (pre-EI)</b>	<b>15,154</b>	<b>16,306</b>	<b>19,276</b>	<b>23,833</b>	<b>28,539</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>15,154</b>	<b>16,306</b>	<b>19,276</b>	<b>23,833</b>	<b>28,539</b>
Taxation	(3,305)	(4,138)	(4,820)	(6,077)	(7,277)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>11,849</b>	<b>12,167</b>	<b>14,456</b>	<b>17,756</b>	<b>21,261</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>11,849</b>	<b>12,167</b>	<b>14,456</b>	<b>17,756</b>	<b>21,261</b>
Recurring Net Profit	11,849	12,167	14,456	17,756	21,261
<b>Fully Diluted Recurring Net Profit</b>	<b>11,849</b>	<b>12,167</b>	<b>14,456</b>	<b>17,756</b>	<b>21,261</b>

**Cash Flow**

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>EBITDA</b>	<b>16,504</b>	<b>18,028</b>	<b>21,175</b>	<b>26,329</b>	<b>31,427</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	422	(453)	(1,501)	(2,749)	(3,035)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	244	419			
Other Operating Cashflow					
Net Interest (Paid)/Received					
Tax Paid	(3,960)	(3,448)	(3,686)	(6,077)	(7,277)
<b>Cashflow From Operations</b>	<b>13,210</b>	<b>14,545</b>	<b>15,989</b>	<b>17,503</b>	<b>21,114</b>
Capex	(1,261)	(1,262)	(1,200)	(1,000)	(1,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	2,670	(6,957)	(1,620)	1,794	1,950
<b>Cash Flow From Investing</b>	<b>1,408</b>	<b>(8,219)</b>	<b>(2,820)</b>	<b>794</b>	<b>950</b>
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(6,065)	(6,527)	(12,177)	(10,653)	(12,757)
Preferred Dividends					
Other Financing Cashflow	(2,182)	(2,088)	(1,710)	(834)	(834)
<b>Cash Flow From Financing</b>	<b>(8,247)</b>	<b>(8,615)</b>	<b>(13,887)</b>	<b>(11,487)</b>	<b>(13,591)</b>
Total Cash Generated	6,372	(2,288)	(719)	6,810	8,474
<b>Free Cashflow To Equity</b>	<b>11,949</b>	<b>13,284</b>	<b>14,788</b>	<b>16,503</b>	<b>20,114</b>
<b>Free Cashflow To Firm</b>	<b>14,619</b>	<b>6,327</b>	<b>13,168</b>	<b>18,297</b>	<b>22,064</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS...cont'd

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Total Cash And Equivalents	21,035	25,968	23,846	30,656	39,130
Total Debtors	17,696	18,505	22,269	25,388	30,052
Inventories					
Total Other Current Assets	5,400	6,929	11,048	11,048	11,048
<b>Total Current Assets</b>	<b>44,131</b>	<b>51,403</b>	<b>57,164</b>	<b>67,092</b>	<b>80,230</b>
Fixed Assets	8,010	7,826	8,803	6,346	3,342
Total Investments	4,284	4,590	4,776	4,776	4,776
Intangible Assets	22,292	22,400	29,043	29,043	29,043
Total Other Non-Current Assets	8,818	7,770	7,775	7,775	7,775
<b>Total Non-current Assets</b>	<b>43,404</b>	<b>42,587</b>	<b>50,398</b>	<b>47,941</b>	<b>44,937</b>
Short-term Debt	5,713	5,135	5,272	5,272	5,272
Current Portion of Long-Term Debt					
Total Creditors	6,667	5,964	8,496	8,866	10,494
Other Current Liabilities	9,292	10,339	15,332	15,332	15,332
<b>Total Current Liabilities</b>	<b>21,672</b>	<b>21,437</b>	<b>29,100</b>	<b>29,470</b>	<b>31,099</b>
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	7,567	7,285	9,030	9,030	9,030
<b>Total Non-current Liabilities</b>	<b>7,567</b>	<b>7,285</b>	<b>9,030</b>	<b>9,030</b>	<b>9,030</b>
Total Provisions					
<b>Total Liabilities</b>	<b>29,239</b>	<b>28,722</b>	<b>38,130</b>	<b>38,500</b>	<b>40,129</b>
Shareholders Equity	58,296	65,267	69,431	76,534	85,038
Minority Interests					
<b>Total Equity</b>	<b>58,296</b>	<b>65,267</b>	<b>69,431</b>	<b>76,534</b>	<b>85,038</b>

<b>Key Ratios</b>					
	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Revenue Growth	14.4%	9.9%	23.0%	23.0%	18.4%
Operating EBITDA Growth	24.7%	9.2%	17.5%	24.3%	19.4%
Operating EBITDA Margin	18.7%	18.5%	17.7%	17.9%	18.1%
Net Cash Per Share (Rs)	50.89	82.08	67.08	102.96	147.60
BVPS (Rs)	313.00	346.45	365.77	403.19	447.99
Gross Interest Cover	17.47	24.62	30.64	27.44	32.89
Effective Tax Rate	21.8%	25.4%	25.0%	25.5%	25.5%
Net Dividend Payout Ratio	66.3%	99.8%	59.6%	60.0%	60.0%
Accounts Receivables Days	74.67	67.95	62.21	59.13	58.11
Inventory Days					
Accounts Payables Days	42.09	34.04	31.17	30.38	28.62
ROIC (%)	29.1%	25.2%	29.1%	30.9%	36.9%
ROCE (%)	17.4%	16.0%	17.5%	20.3%	22.2%
Return On Average Assets	14.0%	13.0%	13.6%	15.3%	17.0%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

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**Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021**

**ADVANC** – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CGET** – n/a, n/a, **CENDEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** – Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** – Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, n/a, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** – Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** – Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TOP** – Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

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**Stock Ratings**

Definition:

Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

**Sector Ratings**

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

**Country Ratings**

Definition:

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.